

# Q3 2023

## Results presentation

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# Restoring margins by stepping up cost reductions and driving even more targeted portfolio management

≥6% EBIT margin, mid-term

## Current market condition

- Weak market demand with consumers mixing down to lower price-points
- High price pressure and promotional activity enabled by input cost discrepancies between Europe/North America and certain parts of Asia

## Cost reduction targets

- SEK 10-11bn in 2024 vs 2022, net
  - Of which SEK ~6bn in 2023 vs 2022
  - Product cost and SG&A main drivers
  - Restructuring charge of SEK 2-2.5bn (Q4 23)
    - ~3,000 positions affected
- Annual product cost reduction mid-term at a similar rate as in 2023-2024

## Growth in targeted areas

- Selected mid- and premium categories
- Focus on Electrolux, AEG, Frigidaire brands
- Reduce focus on and divestment of tactical brands and categories

## New organization – leveraging the Group's global scale with fewer layers

- 2 global product lines with end-to-end responsibility
- 3 regional business areas

# Q3 Highlights



## Lower organic sales

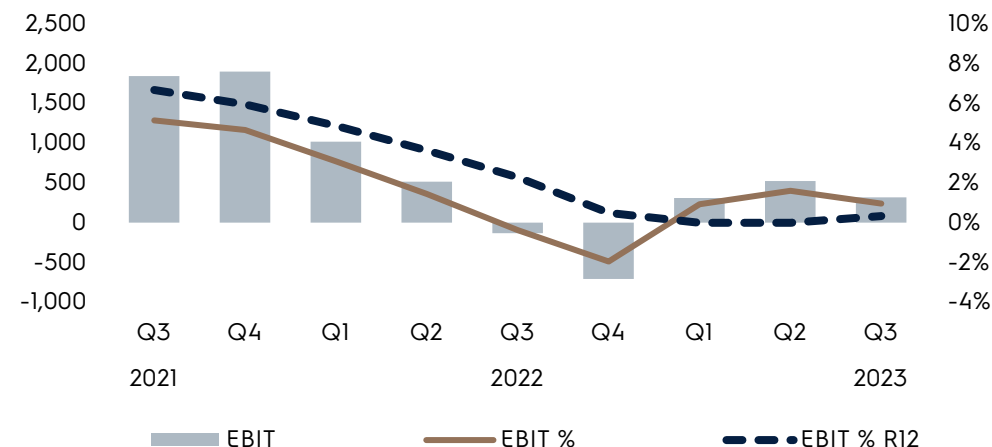
- Volume drop, demand-driven
- Negative price; promotional activity remains high
- Positive mix despite challenging markets

## Improved underlying EBIT y-o-y

- Lower volumes
- Strong contribution from Group-wide cost reduction and North America turnaround program
- Negative impact from external factors, including strong currency headwinds
- NRI of SEK 294m, related to the divestment of the manufacturing facility in Nyíregyháza, Hungary

SEKm	Q3 2023	Q3 2022	Change
Net sales	33,427	35,244	-5.2%
Organic growth	-7.9%	1.2%	-9.1pts
Divestments	-0.0%	-0.8%	0.8pts
Currency	2.8%	13.5%	-10.7pts
EBIT	608	-385	N/A
Margin	1.8%	-1.1%	2.9pts
EBIT excl. NRI	314	-35	N/A
EBIT margin excl. NRI	0.9%	-0.1%	1.0pts

## EBIT and margin\*



# Sales and EBIT Bridge



SEKm	Q3 2022	Volume/ price/mix	Innovation/ marketing <sup>1</sup>	Cost efficiency <sup>2</sup>	External factors <sup>3</sup>	Q3 2023
Net Sales	35,244	-2,852			1,034	33,427
Growth %		-7.9%			2.7%	-5.2%
EBIT excl NRI <sup>5</sup>	-35	-1,429	294	2,151	-667	314
EBIT excl NRI %	-0.1%					0.9%
Accretion/ Dilution		-4.4 pts	0.9 pts	6.6 pts	-2.1 pts	

<sup>1</sup> Investments in consumer experience innovation and marketing, comprise of costs for R&D, marketing/brand, connectivity, CRM, aftermarket sales capability, etc.

<sup>2</sup> Efficiencies in variable costs (excl. raw material, energy, trade tariffs, and labor cost inflation >2%) and structural costs (excl. consumer experience innovation and marketing).

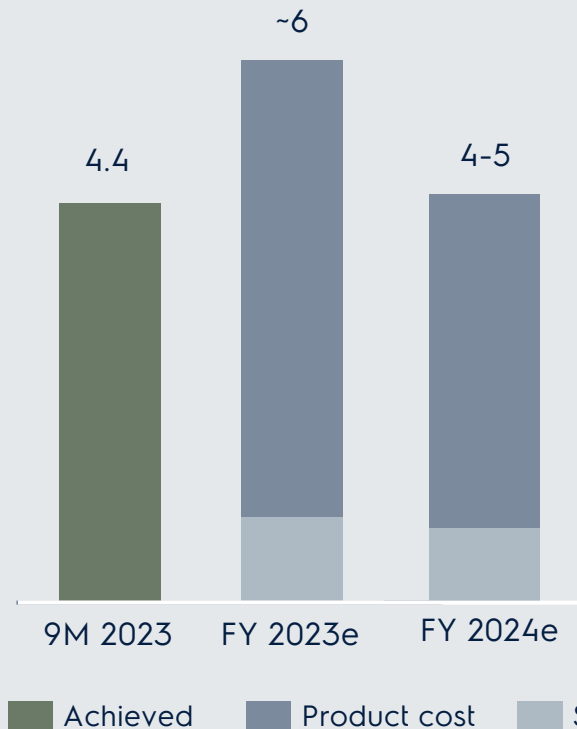
<sup>3</sup> Comprise of raw material costs, energy costs, trade tariffs, direct and indirect currency impact and labor cost inflation >2%. Currency translation amounted to SEK -83m on EBIT and 2.8% on net sales.

<sup>5</sup> EBIT in Q3 2023 excludes a non-recurring item of SEK 294m, relating to the divestment of the manufacturing facility in Nyíregyháza, Hungary. EBIT in Q3 2022 excludes a non-recurring item of SEK -350m, relating to the exit from the Russian market.



# Executing on cost reduction target

Net cost reduction y-o-y, SEKbn



On track to deliver SEK ~6bn savings in 2023, above previous target of SEK ≥5bn

- Key levers executed 9M 2023

Product cost

- Reduced premium freight & spot buy of components
- Negotiated new logistic rates
- Improved production line efficiency
- 98% of blue-collar reductions

Structural costs

- Streamlined factory organizational setup, maintenance costs, and scrap rates
- Optimized marketing spending
- Further efficiency in all SG&A functions
- 92% of white-collar reductions

## Cost reduction target

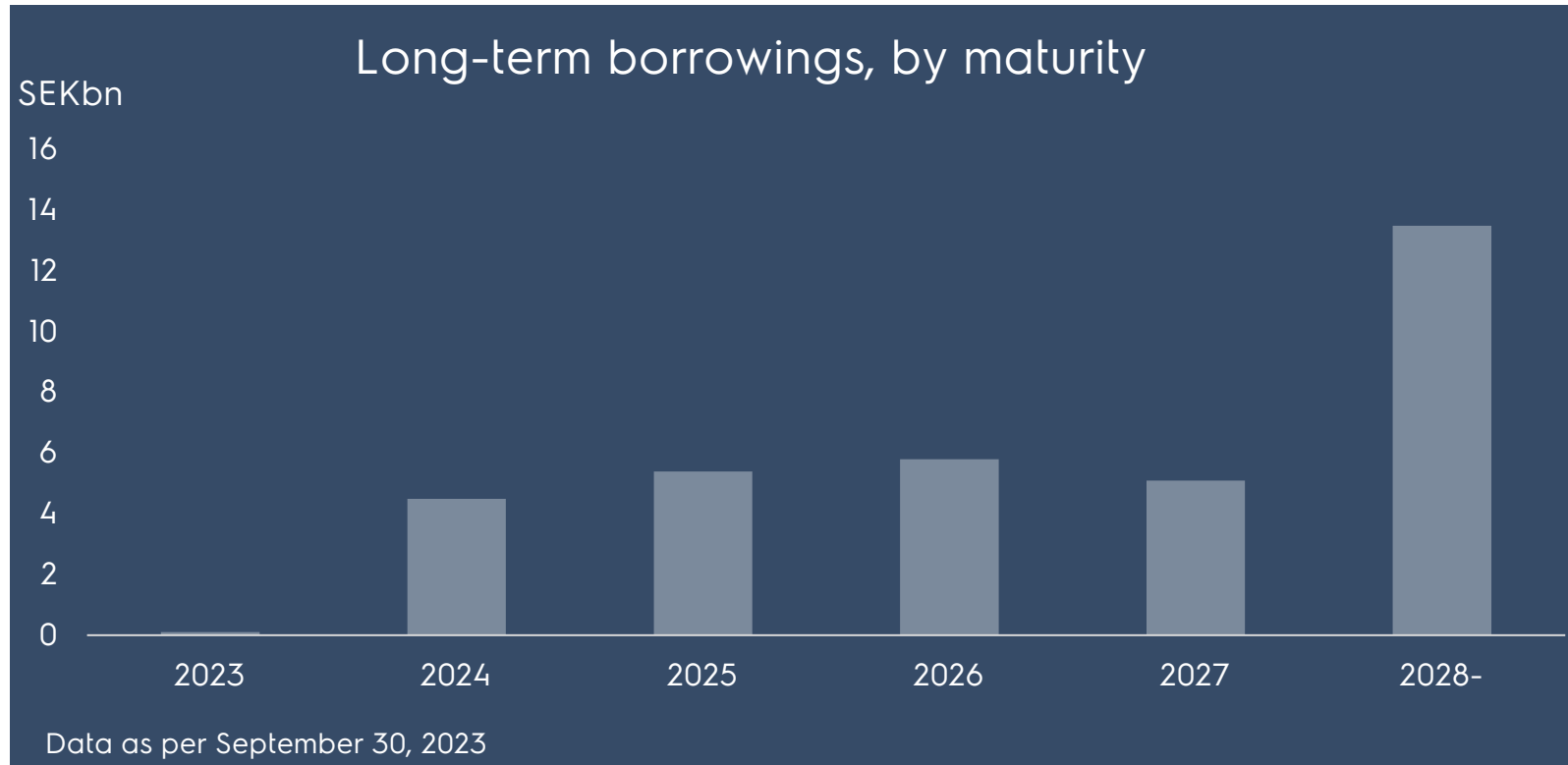
- SEK 10-11bn in 2024 vs 2022, net
  - SEK ~6bn in 2023 vs 2022
  - SEK 4-5bn 2024 vs 2023
- Annual product cost reduction mid-term at a similar rate as in 2023-2024
  - Increase sourcing from low-cost countries
  - Continue consolidation of supplier base and number of components, further leveraging modularized product platforms
  - Step-up cost engineering initiatives, i.e. material and component reviews on existing products

# Operating Cash Flow



SEKm	Q3 2023	Q3 2022
EBIT	608	-385
D/A and other non-cash items	1,265	1,790
Change in operating assets and liabilities	-61	-1,124
Investments in intangible and tangible assets	-1,304	-1,905
Changes in other investments	640	142
<b>Cash flow after investments*</b>	<b>1,147</b>	<b>-1,483</b>

# Solid liquidity and maturity profile



- SEK 33.7bn in liquidity incl. RCF as per September 30, 2023
- No financial covenants in any loan agreements
- Target to maintain a solid investment grade rating
  - S&P Global Ratings BBB+ with stable outlook



# Europe



## Organic sales decline

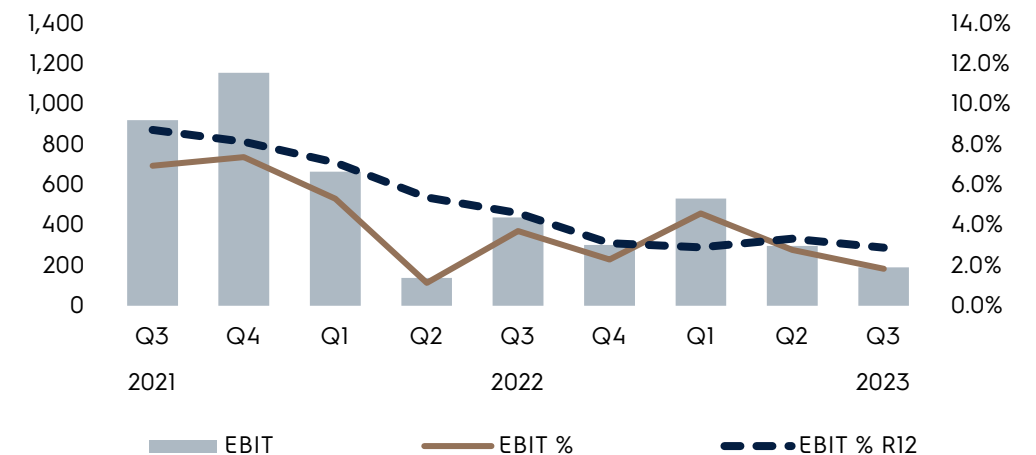
- Lower volumes across product categories, driven by weak consumer demand
- Focus area built-in kitchen particularly impacted
- Favorable mix
- Positive price although sequentially declining net impact

## Lower earnings driven by volume drop

- Significant volume decline
- Price largely offset headwind from external factors, driven by energy and labor cost inflation
- Positive contribution from Group-wide cost reduction program
- EBIT included a non-recurring item of SEK 294m, related to the divestment of the manufacturing facility in Nyíregyháza, Hungary

SEKm	Q3 2023	Q3 2022	Change
Net sales	10,618	11,107	-4.4%
Organic growth	-11.5%	-9.7%	-1.7pts
Divestments	-0.0	2.1%	-2.1pts
Currency	7.1%	5.1%	1.9pts
EBIT	483	75	N/A
Margin	4.5%	0.7%	3.9pts
EBIT excl. NRI	189	425	-55.6%
EBIT margin excl. NRI	1.8%	3.8%	-2.0pts

## EBIT and margin\*



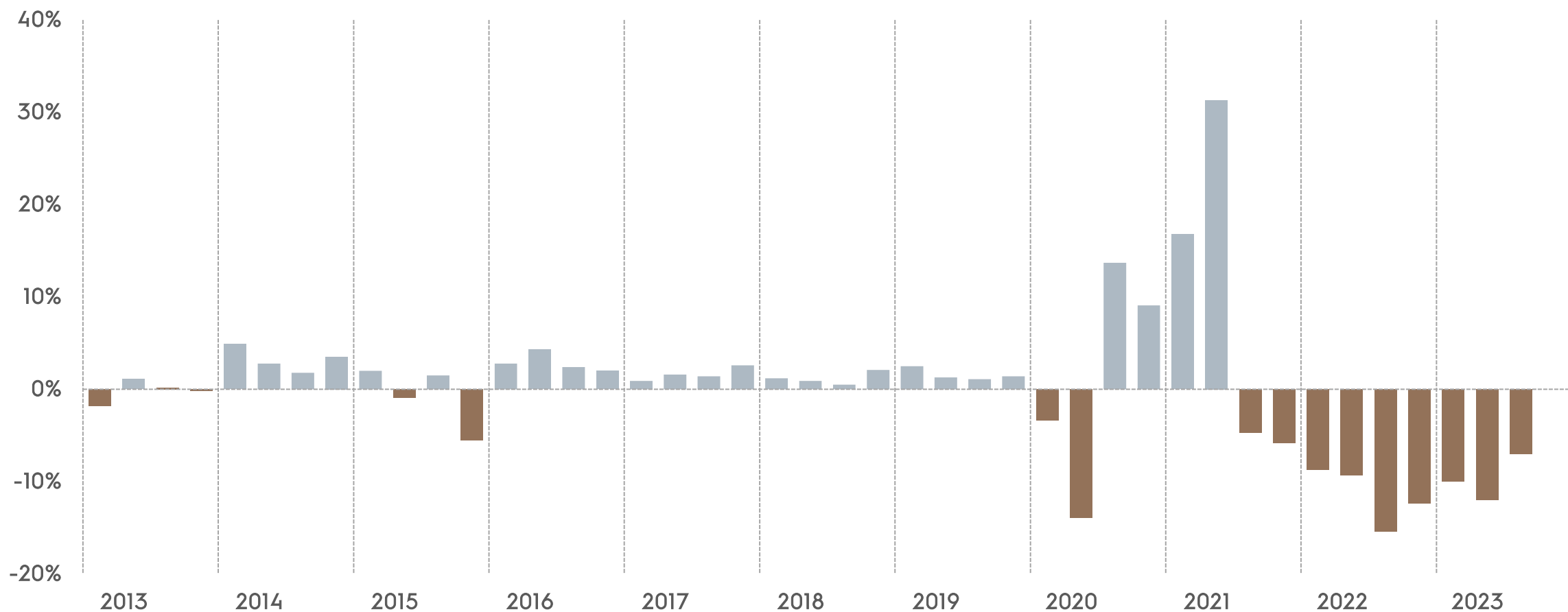
\*Excluding non-recurring items (NRI) and currency adjusted.



# European Core Appliances Market



Total European shipments, quarterly unit comparison y-o-y



Source: Electrolux estimates. As from Q1 2020, Russia is excluded.

# North America



## Organic sales decline

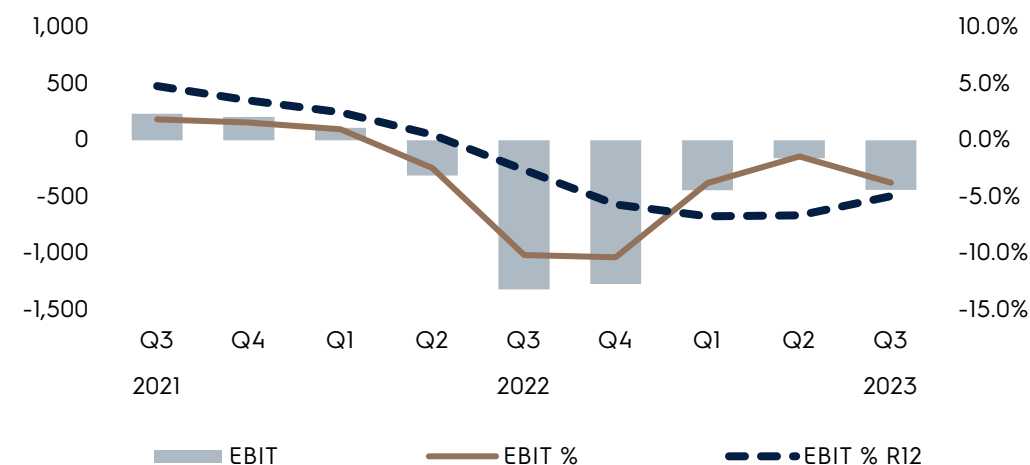
- Negative price and lower volumes due to high promotional level in the market
- Ongoing cooking manufacturing consolidation partly limited ability to capture market demand
- Increased US (State of Texas)-Mexico border inspections negatively impacted availability of high-value products

## Operating loss

- Negative price and volume impact
- Growth in high-value products drove positive mix
- Turnaround program continued to generate significant savings
- Slightly positive external factors, driven by raw material

SEKm	Q3 2023	Q3 2022	Change
Net sales	11,896	12,909	-7.8%
Organic growth	-9.6%	2.3%	-11.9pts
Currency	1.7%	22.1%	-20.4pts
EBIT	-440	-1,227	-64.2%
Margin	-3.7%	-9.5%	5.8pts

EBIT and margin\*

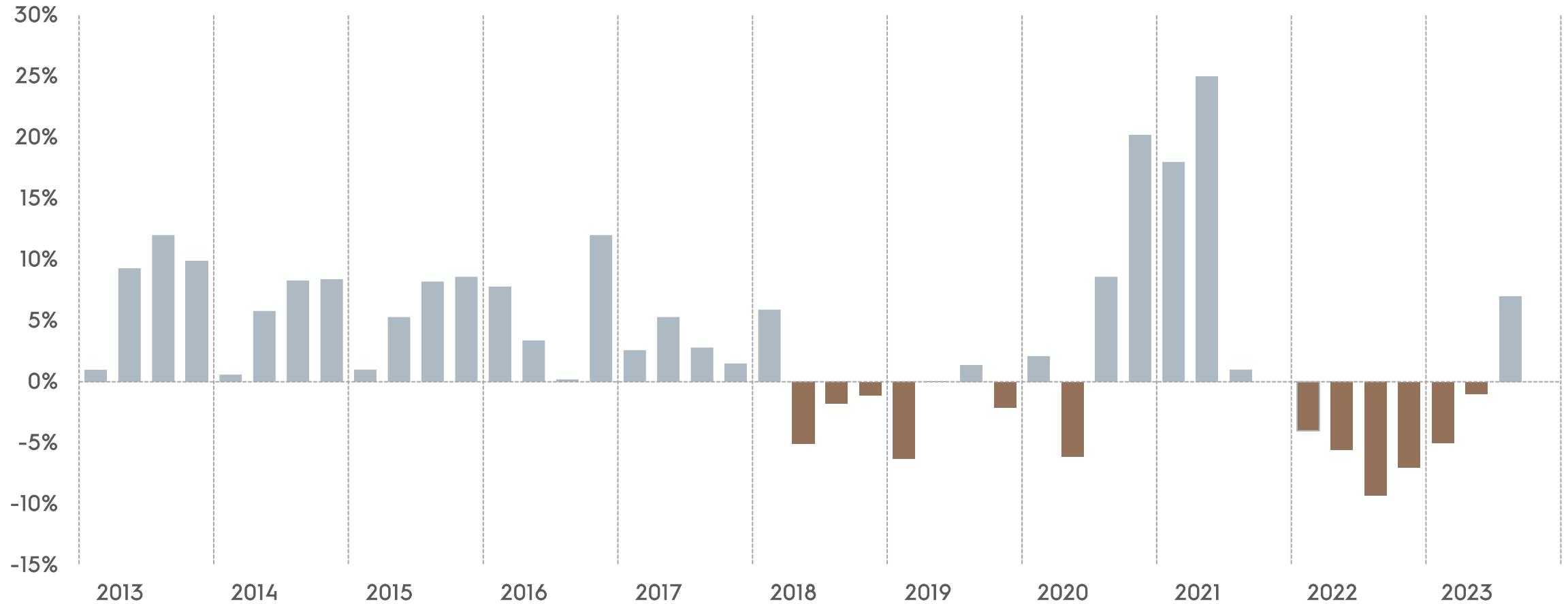


\*Excluding non-recurring items (NRI) and currency adjusted.

# U.S. Core Appliances Market



U.S. shipments, quarterly unit comparison y-o-y



\*Source: Based on the AHAM Factory Shipment Report. Q1 2023 is a comparison of weeks between July 2 – September 30, 2023, vs July 3 – October 1, 2022. Core appliances include AHAM 6 (Washers, Dryers, Dishwashers, Refrigerators, Freezers, Ranges, and Ovens) and Cooktops.

# Latin America



## Organic sales growth driven by Brazil

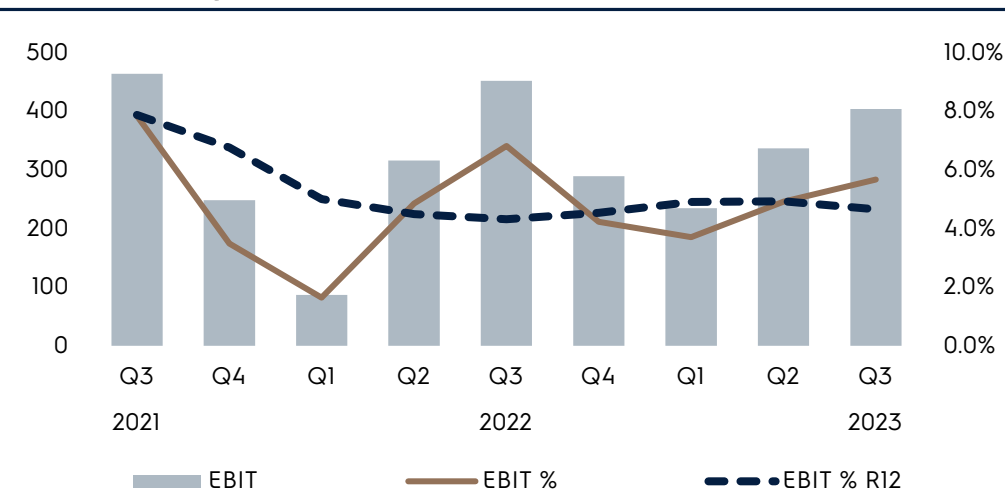
- Increased consumer demand, driven by Brazil where retailers pushed white goods sales
- Higher volumes in Brazil
- Slightly positive price
- Flat mix
- Strong aftermarket sales

## Slight EBIT decline

- Significant currency headwind, mainly Argentina
- Organic sales growth
- Positive contribution from Group-wide cost reduction program

SEKm	Q3 2023	Q3 2022	Change
Net sales	7,193	6,518	10.4%
Organic growth	7.6%	13.5%	-6.0pts
Currency	2.8%	19.2%	-16.4pts
EBIT	405	440	-8.0%
Margin	5.6%	6.8%	-1.1pts

EBIT and margin\*



\*Excluding non-recurring items (NRI) and currency adjusted.

# Asia-Pacific, Middle East and Africa



## Organic sales decline

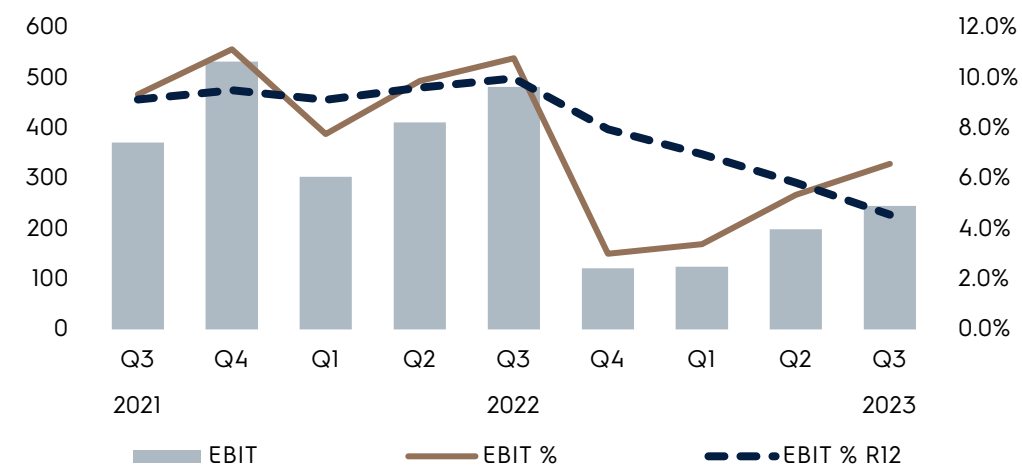
- Continued low consumer confidence
- Volume drop versus strong baseline
- Positive mix with growth in selected categories
- Flat price

## Volume-driven EBIT decline

- Lower volumes
- Significant negative currency impact
- Positive contribution from Group-wide cost reduction program

SEKm	Q3 2023	Q3 2022	Change
Net sales	3,720	4,710	-21.0%
Organic growth	-16.8%	13.7%	-30.5pts
Currency	-4.3%	12.3%	-16.6pts
EBIT	245	511	-52.0%
Margin	6.6%	10.8%	-4.3pts

EBIT and margin\*



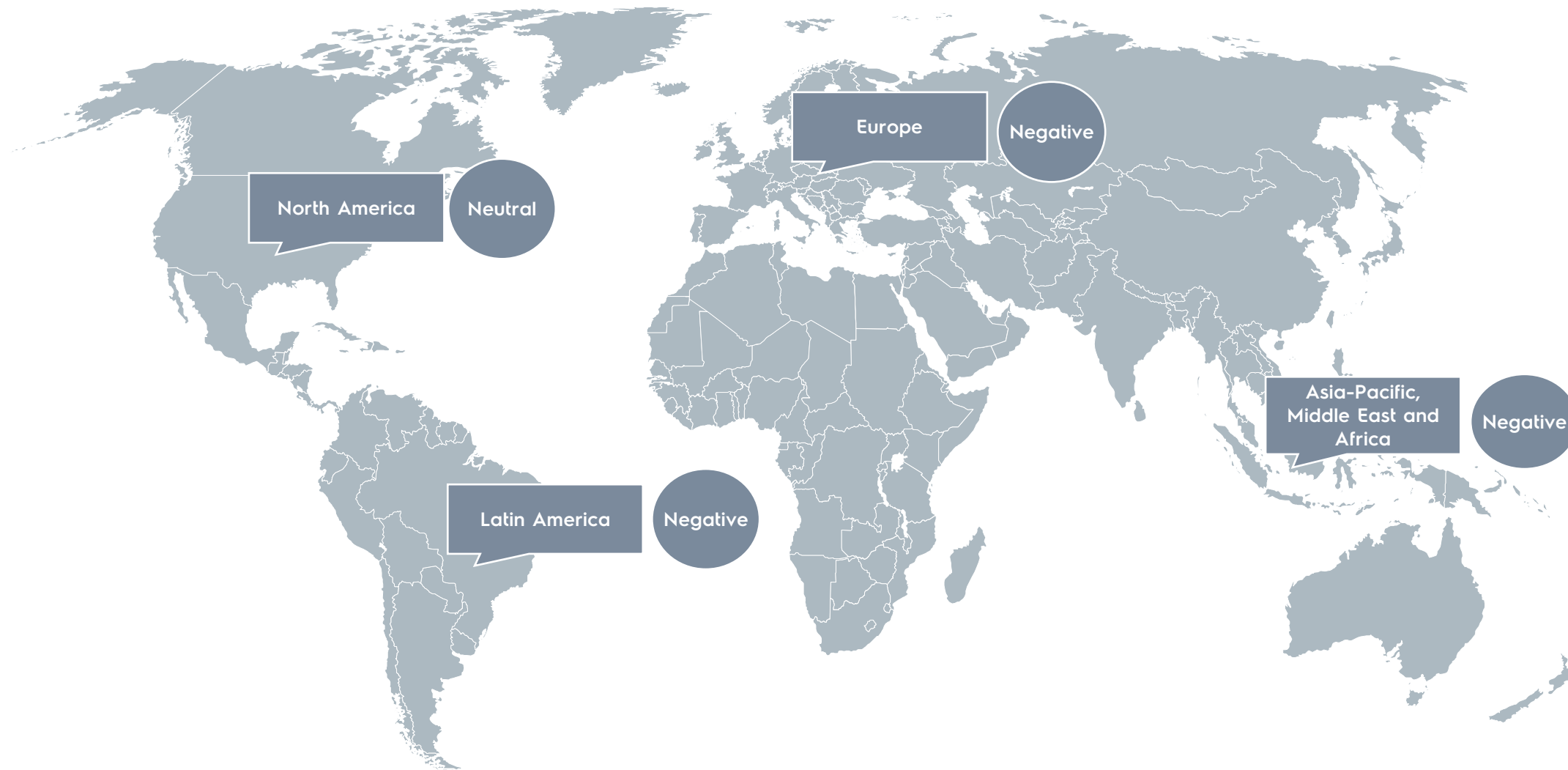
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Outlook and summary



# Market outlook FY 2023 per region



Electrolux estimates for industry shipments of core appliances, units year-over-year  
Latin America includes the ABC-countries, Asia-Pacific, Middle East and Africa includes, ANZ, SEA and MEA.  
Note: Market outlook assumes no additional significant additional impact from the coronavirus pandemic or the global geopolitical situation. Presented Oct 27, 2023.



# Electrolux business outlook



Business Outlook <sup>1</sup> y-o-y	FY 2023	Comments
Volume/price/mix	Volume/mix - negative	Fully driven by volume, partly mitigated by earnings contribution from mix
	Price – partly offsetting external factors	Positive net price in H1 2023 turned negative in Q3 2023, expected to be negative also in Q4 2023
Investments in consumer experience innovation and marketing <sup>2</sup>	Positive approximately SEK 6bn, combined	Benefits from the Group-wide cost reduction and North America turnaround program, including additional cost-saving initiatives
Cost efficiency <sup>3</sup>		
External factors <sup>4</sup>	Negative	Primarily from inflation in energy and labor cost and currency headwinds
Capex	SEK <6bn	

<sup>1</sup> Business outlook range: Positive – Neutral – Negative, in terms of impact on earnings

<sup>2</sup> Comprise of costs of R&D, marketing/brand, connectivity, CRM and aftermarket sales capability, etc.

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Note: Business outlook in the above table excludes non-recurring items and assumes no significant additional impact from the coronavirus pandemic or the global geopolitical situation. Presented Oct 27, 2023.

# Well positioned to create value



## Strategic drivers executed in Q3:

- Positive mix in a challenging market
- Group-wide cost reduction and North America turnaround program progressing ahead of plan
- Step-up of cost savings announced
- Progress on strategic divestment initiatives

## Financial targets for profitable growth\*



Driving sustainable consumer experience innovation



Increasing efficiency through digitalization, automation and modularization

Solid balance sheet facilitates profitable growth

\* Financial targets are over a business cycle  
\*\* Return on net assets

# Factors affecting forward-looking statements



This presentation contains “forward-looking” statements that reflect the company’s current expectations. Although the company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations prove to have been correct as they are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but are not limited to, changes in consumer demand, changes in economic, market and competitive conditions, supply and production constraints, currency fluctuations, developments in product liability litigation, changes in the regulatory environment and other government actions. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, the company undertakes no obligation to update any of them in light of new information or future events.





Q & A



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# Appendix

# Earnings contribution from price/mix



Business Area	Q3, y-o-y	Comments
Europe	Positive	Positive price but sequentially declining impact; price increases taper off while promotions increase. Favorable mix
North America	Negative	Negative price due to high promotional activity. Growth in targeted high-value products generated positive mix
Latin America	Positive	Slightly positive price; currency-related price increases in Argentina partly offset by increased promotions. Flat mix
Asia-Pacific, Middle East and Africa	Positive	Flat price. Favorable mix through growth in selected categories
<b>Group EBIT % accretion</b>	<b>-0.9 pts</b>	<b>Negative price; continued high promotional activity across major markets</b> <b>Favorable mix despite challenging market</b>





**Electrolux**  
**Group**